

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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R 300842Z JAN 76

FM AMEMBASSY KUALA LUMPUR

TO SCSTATE WASHDC 2367

INFO AMEMBASSY BANGKOK

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ECON, MY

SUBJ: CURRENT STATUS OF THIRD MALAYSIAN PLAN 1976-80

REF: KUALA LUMPUR 0514, 75 KUALA LUMPUR A-143

1. SUMMARY: AS REPORTED REFTEL, THIRD MALAYSIA PLAN (TMP) 1976-80, WHICH ORIGINALLY SCHEDULED FOR PRESENTATION TO PARLIAMENT IN MARCH, WILL MOST LIKELY BE DELAYED UNTIL SECOND QUARTER 1976. SLIPPAGE NOT SIGNIFICANT AS MANY OF DEVELOPMENT PROJECTS ALREADY UNDERWAY. NEW PM AGREES WITH MAIN TMP OBJECTIVE OF RAISING INCOMES OF CERTAIN CATEGORIES OF POOR MALAYS, CHINESE AND INDIANS AND IS NOT EXPECTED ORDER ANY MAJOR CHANGES. GOM WILL RELY ON SUBSTANTIAL PRIVATE INVESTMENT TO CREATE NEW JOBS, A KEY STRATEGY OF TMP. BORROWINGS WILL INCREASE, WITH MIDDLE-EAST COUNTRIES AS MAJOR POTENTIAL NEW SOURCE. END SUMMARY.

2. DELAY: AS REPORTED REFTEL, THIRD MALAYSIA PLAN (TMP) 1976-80

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WILL PROBABLY BE PRESENTED PARLIAMENT DURING SECOND QUARTER RATHER

THAN MARCH AS ORIGINALLY ANNOUNCED. IN ADDITION TO NEWLY-ORDERED FULL-SCALE REVIEW OF TMP WITH MAJOR POLITICAL PARTIES, NEW PM IS BUSY DURING JAN AND FEB WITH VISITS TO INDONESIA, THAILAND AND SINGAPORE, AND ASEAN SUMMIT MEETING; AND WITH NAMING NEW DEPUTY PM AND RESHUFFLING CABINET PROMISED FOR EARLY MARCH. ECONOMIC PLANNING UNIT (EPU) SAYS TMP IS NINETY PERCENT COMPLETED WITH WORK FINISHED ON ALL MAJOR AREAS.

3. OBJECTIVES UNCHANGED: AS PREVIOUSLY REPORTED, PRIMARY OBJECTIVE OF TMP IS TO RAISE INCOME LEVELS AND LIVING STANDARDS OF CERTAIN CATEGORIES OF POOR MALAYS, CHINESE AND INDIANS. WE ARE INFORMED THAT NEW PM ENDORSES THESE GOALS AND IS NOT EXPECTED ORDER ANY MAJOR CHANGES.

4. STRATEGY AND PRIVATE INVESTMENT: KEY GOM STRATEGY UNDER TMP IS TO CREATE NEW HIGHER-INCOME JOBS (SOME THREE MILLION BY 1990) AND CAUSE RURAL POOR, ESPECIALLY YOUNG PERSONS, TO MOVE FROM LOW-PAYING OCCUPATIONS (E.G., FISHERMEN) TO BETTER PAYING JOBS. EPU OFFICIAL STATES GOM WILL RELY HEAVILY ON MASSIVE DOMESTIC AND FOREIGN PRIVATE INVESTMENT TO CREATE NEW JOBS. PUBLIC INVESTMENT AND PUBLIC EXPENDITURES IN AREAS OF INDUSTRY AND COMMERCE ARE PROJECTED DECLINE SIGNIFICANTLY FROM LEVELS OF SECOND MALAYSIA PLAN 1971-75. LIKEWISE, GOVT WILL INCREASE SIGNIFICANTLY EXPENDITURES ON SOCIAL, EDUCATION, AND HEALTH PROJECTS IN EFFORTS RAISE STANDARDS OF LIVING AMONG POOR.

5. BORROWINGS: GOVT WILL INCREASE BORROWINGS UNDER TMP. ACCORDING TO EPU, GOVT LOOKING TO MIDDLE-EAST COUNTRIES AS POTENTIAL MAJOR NEW SOURCE DEVELOPMENT LOANS AND GRANTS. GOM WILL ALSO BORROW MORE IN OFFSHORE COMMERCIAL LOANS IN ADDITION TO TRADITIONAL SOURCES OF IBRD AND ADB PROJECT LOANS.

6. REAL GROWTH: EPU ESTIMATES SEVEN PERCENT AVERAGE REAL GROWTH PER YEAR UNDER TMP, ALTHOUGH PM IN INTRODUCING SUPPLY BILL TO SENATE ON JANUARY 23 INDICATED SIX PERCENT REAL GDP IN 1976. (GROWTH WAS ABOUT TWO PERCENT IN 1975.)

7. COMMENT: GOVT ECONOMIC PLANNERS EXPRESS REASONABLE VIEW THAT SLIPPAGE OF 2-3 MONTHS IN IMPLEMENTING TMP IS NOT SIGNIFICANT AS MANY DEVELOPMENT PROJECTS ARE ALREADY ON-GOING. IN FACT, DELAY LIMITED OFFICIAL USE

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EXPECTED RESULT IN CLEARER INDICATIONS OF PACE OF ECONOMIC RECOVERIES IN DEVELOPED COUNTRIES, ESPECIALLY U.S., EEC, AND JAPAN, WHICH ARE MAJOR FACTORS IN GOM CALCULATIONS AND PROJECTIONS UNDER TMP. IT ALSO SEEMS PRUDENT FOR PM TO NAME DEPUTY PM AND COMPLETE CABINET CHANGES, WITH ATTENDANT POLITICAL MANEUVERINGS, PRIOR TO PRESENTING PLAN WHICH WILL COMMIT GOVT TO COURSE OF ECONOMIC DEVELOPMENT OVER NEXT FIVE YEARS.

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